# Sales Floor Size

| Balance Sheet Data | Sales Area Under 3,000 Sq. Ft. | 3,000 Sq. Ft. To 4,999 Sq. Ft. | 5,000 Sq. Ft. To 9,999 Sq. Ft. | Sales Area 10,000 Sq. Ft. Or More |
|---|---|---|---|---|
| **Total Dollar Assets** | $125,897 | $197,390 | $292,152 | $546,704 |
| | | % of Total Assets | | |
| **Assets** | | | | |
| Cash and Equivalent | 6.94 | 7.50 | 6.42 | 5.60 |
| Notes and Contracts Receivable | 2.52 | 3.27 | 3.63 | 3.73 |
| Accounts Receivable | 9.77 | 9.49 | 10.83 | 12.20 |
| Merchandise Inventory (End of Year) | 56.04 | 50.13 | 50.43 | 54.00 |
| Other Current Assets | 2.80 | 3.03 | 2.36 | 2.96 |
| **Total Current Assets** | 79.07 | 73.42 | 73.67 | 78.49 |
| Stocks and Bonds | 4.64 | 4.39 | 4.84 | 4.01 |
| Real Estate (Not Used in Business) | 1.35 | 3.51 | .39 | 1.22 |
| Other Investments | 1.51 | 2.70 | 2.93 | 3.51 |
| **Total Investments** | 7.50 | 10.60 | 8.16 | 8.74 |
| Land (Owned and Used in Business) | 1.53 | 1.77 | 1.78 | 1.45 |
| Buildings (Owned and Used in Business less Depreciation) | 5.85 | 7.99 | 8.76 | 4.33 |
| Machinery & Office Equipment (Owned and Used in Business less Depreciation) | 5.67 | 5.71 | 6.28 | 6.17 |
| Other Fixed Assets | 1.38 | .51 | 1.35 | .82 |
| **Total Fixed Assets** | 14.43 | 15.98 | 18.17 | 12.77 |
| **Total Assets** | 100.00% | 100.00% | 100.00% | 100.00% |
| **Liabilities And Net Worth** | | | | |
| Accounts Payable | 10.34 | 8.34 | 10.14 | 10.12 |
| Notes Payable | 7.30 | 7.63 | 6.85 | 7.80 |
| Accrued Expenses Payable | 1.79 | 2.46 | 2.44 | 4.82 |
| Federal Income Taxes Payable | .39 | .34 | .35 | .33 |
| Other Current Liabilities | 1.55 | 2.22 | 1.99 | 2.34 |
| **Total Current Liabilities** | 21.37 | 20.99 | 21.77 | 25.41 |
| Long Term Debt | 16.05 | 14.38 | 15.84 | 10.86 |
| Deferred Income Taxes | .00 | .26 | .11 | .05 |
| Other Long Term Liabilities | 6.15 | 5.87 | 5.94 | 6.79 |
| **Total Long Term Liabilities** | 22.20 | 20.51 | 21.89 | 17.70 |
| **Total Liabilities** | 43.57 | 41.50 | 43.66 | 43.11 |
| **Net Worth** | 56.43 | 58.50 | 56.34 | 56.89 |
| **Total Liabilities And Net Worth** | 100.00% | 100.00% | 100.00% | 100.00% |
| **Financial Performance** | | | | |
| **Profit on Investment** | 11.67% | 12.83% | 14.67% | 16.18% |
| Active Owner's Return | 37.57% | 33.12% | 37.70% | 37.84% |
| Current Asset Ratio | 3.66x | 3.50x | 3.38x | 3.09x |
| Quick Asset Ratio | 1.03x | 1.11x | 1.07x | .96x |
| Total Debt to Tangible Net Worth | 77.18% | 70.92% | 77.50% | 75.74% |
| **Stock Turn Times** | 2.21x | 2.70x | 2.58x | 2.75x |
| Sales to Inventory Ratio | 3.45x | 4.06x | 3.98x | 4.30x |
| Average Inventory per Sq. Ft. Sales Area | $33.06 | $28.82 | $22.82 | $23.02 |
| Net Sales to Accounts Receivable | 19.15x | 20.80x | 17.95x | 18.33x |
| Net Sales to Total Assets | 1.87x | 1.97x | 1.94x | 2.24x |
| Net Sales to Net Worth | 3.31x | 3.37x | 3.45x | 3.93x |
| Net Sales to Net Working Capital | 3.30x | 3.77x | 3.75x | 4.21x |
| **Other Operating Data** | | | | |
| Incoming Freight — % of Purchases | .88% | .84% | .80% | .74% |
| Credit Sales — % of Total Gross Sales | 35.22% | 35.81% | 37.20% | 37.47% |
| Consumer Sales — % of Total Gross Sales | 81.54% | 81.99% | 80.86% | 85.20% |
| Selling Area — Square Feet | 2,156 | 3,789 | 6,560 | 13,456 |
| **Sales Per Square Foot — Selling Area** | $109.22 | $102.87 | $86.57 | $90.81 |
| Total Area — Square Feet | 3,825 | 6,151 | 9,675 | 19,279 |
| **Sales Per Square Foot — Total Area** | $61.57 | $63.37 | $58.69 | $63.38 |
| Sales Per Person Employed | $50,049 | $54,845 | $55,749 | $55,777 |
| Sales Per Customer | $7.67 | $8.85 | $7.61 | $9.54 |

# Type of Ownership

| Income Statement Data | Proprietorship | Partnership | Corporation |
|---|---|---|---|
| **Number of Stores** | 180 | 71 | 637 |
| **Net Sales Volume** | $235,599 | $382,589 | $576,984 |
| Current Year's Sales vs. Previous Year* | +2.50% | +6.26% | +3.80% |
| Net Sales | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 65.96 | 66.06 | 64.51 |
| **Margin** | 34.04 | 33.94 | 35.49 |
| **Payroll and Other Employee Expense** | | | |
| Salaries — Owners, Officers, Managers | 5.60 | 7.16 | 6.21 |
| Salaries — Other Employees | 8.56 | 9.03 | 11.41 |
| Federal and State Payroll Taxes | .78 | .99 | 1.23 |
| Group Insurance | .31 | .36 | .48 |
| Benefit Plans | .08 | .13 | .51 |
| **Total Payroll and Other Employee Expense** | 15.33 | 17.67 | 19.84 |
| **Occupancy Expense** | | | |
| Heat, Light, Power, Water | 1.29 | .93 | 1.01 |
| Repairs to Building | .37 | .22 | .36 |
| Rent or Ownership in Real Estate** | 3.17 | 3.13 | 3.23 |
| **Total Occupancy Expense** | 4.83 | 4.28 | 4.60 |
| **Other Costs of Doing Business** | | | |
| Advertising | 2.36 | 2.36 | 1.98 |
| Depreciation (Other than Real Estate) | .88 | .63 | .71 |
| Insurance (Other than Real Estate or Group) | .94 | .77 | .90 |
| Taxes (Other than Real Estate or Payroll) | .36 | .22 | .54 |
| All Other Expenses | 5.37 | 3.64 | 4.64 |
| **Total Other Costs of Doing Business** | 9.91 | 7.62 | 8.77 |
| **Total Operating Expense** | 30.07 | 29.57 | 33.21 |
| **Net Operating Profit** | 3.97 | 4.37 | 2.28 |
| Other Income | .96 | 1.10 | 1.34 |
| **Net Profit (Before Income Taxes)** | 4.93 | 5.47 | 3.62 |
| **Financial Performance** | | | |
| **Profit on Investment** | 12.17% | 18.31% | 14.08% |
| Active Owner's Return | 25.98% | 42.23% | 38.27% |
| Current Asset Ratio | 4.67x | 4.51x | 3.15x |
| Quick Asset Ratio | 1.27x | 1.36x | .95x |
| Total Debt to Tangible Net Worth | 64.23% | 60.74% | 89.66% |
| **Stock Turn Times** | 2.10x | 2.58x | 2.56x |
| Sales to Inventory Ratio | 3.18x | 3.91x | 3.96x |
| Average Inventory per Sq. Ft. Sales Area | $18.32 | $22.67 | $26.78 |
| Net Sales to Accounts Receivable | 23.73x | 17.05x | 19.83x |
| Net Sales to Total Assets | 1.50x | 2.08x | 2.05x |
| Net Sales to Net Worth | 2.47x | 3.34x | 3.89x |
| Net Sales to Net Working Capital | 2.89x | 3.36x | 3.91x |
| **Other Operating Data** | | | |
| Incoming Freight — % of Purchases | 1.03% | 1.12% | .80% |
| Credit Sales — % of Total Gross Sales | 31.26% | 34.21% | 36.19% |
| Consumer Sales — % of Total Gross Sales | 87.81% | 84.21% | 80.17% |
| Selling Area — Square Feet | 3,978 | 4,440 | 5,831 |
| **Sales Per Square Foot — Selling Area** | $59.23 | $86.17 | $98.95 |
| Total Area — Square Feet | 5,716 | 7,062 | 8,890 |
| **Sales Per Square Foot — Total Area** | $41.22 | $54.18 | $64.90 |
| Sales Per Person Employed | $49,667 | $57,249 | $55,778 |
| Sales Per Customer | $6.96 | $5.04 | $9.13 |

*As reported to us by Management Report contributors

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages

# Trade Area Size

| Income Statement Data | S.M.S.A. Central City | S.M.S.A. Suburban | Cities 10,000 To 50,000 | Rural Areas Under 10,000 |
|---|---|---|---|---|
| **Number of Stores** | 110 | 45 | 202 | 478 |
| **Net Sales Volume** | $649,555 | $698,399 | $548,047 | $415,142 |
| Current Year's Sales vs. Previous Year* | +5.30% | -.28% | +3.68% | +4.08% |
| Net Sales | 100.00% | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 62.38 | 63.67 | 63.99 | 65.68 |
| **Margin** | 37.62 | 36.33 | 36.01 | 34.32 |
| **Payroll and Other Employee Expense** | | | | |
| Salaries — Owners, Officers, Managers | 7.50 | 6.17 | 5.64 | 6.27 |
| Salaries — Other Employees | 11.62 | 12.08 | 11.88 | 10.26 |
| Federal and State Payroll Taxes | 1.28 | 1.24 | 1.21 | 1.11 |
| Group Insurance | .49 | .55 | .44 | .46 |
| Benefit Plans | .47 | .78 | .52 | .37 |
| **Total Payroll and Other Employee Expense** | 21.36 | 20.82 | 19.69 | 18.47 |
| **Occupancy Expense** | | | | |
| Heat, Light, Power, Water | 1.00 | .93 | .99 | 1.05 |
| Repairs to Building | .53 | .33 | .28 | .31 |
| Rent or Ownership in Real Estate** | 3.40 | 3.73 | 3.19 | 3.08 |
| **Total Occupancy Expense** | 4.93 | 4.99 | 4.46 | 4.44 |
| **Other Costs of Doing Business** | | | | |
| Advertising | 2.01 | 1.64 | 2.17 | 2.02 |
| Depreciation (Other than Real Estate) | .72 | .71 | .68 | .76 |
| Insurance (Other than Real Estate or Group) | .85 | .79 | .87 | .91 |
| Taxes (Other than Real Estate or Payroll) | .37 | .27 | .70 | .48 |
| All Other Expenses | 4.50 | 4.08 | 4.70 | 4.89 |
| **Total Other Costs of Doing Business** | 8.45 | 7.49 | 9.12 | 9.06 |
| **Total Operating Expense** | 34.74 | 33.30 | 33.27 | 31.97 |
| **Net Operating Profit** | 2.88 | 3.03 | 2.74 | 2.35 |
| Other Income | 1.07 | 1.19 | 1.16 | 1.47 |
| **Net Profit (Before Income Taxes)** | 3.95 | 4.22 | 3.90 | 3.82 |
| **Financial Performance** | | | | |
| **Profit on Investment** | 16.57% | 14.21% | 14.72% | 12.82% |
| Active Owner's Return | 48.00% | 34.95% | 36.04% | 33.88% |
| Current Asset Ratio | 3.27x | 4.21x | 2.90x | 3.58x |
| Quick Asset Ratio | .96x | 1.59x | .87x | 1.04x |
| Total Debt to Tangible Net Worth | 72.08% | 61.47% | 90.29% | 86.55% |
| **Stock Turn Times** | 2.93x | 2.93x | 2.40x | 2.33x |
| Sales to Inventory Ratio | 4.69x | 4.61x | 3.74x | 3.55x |
| Average Inventory per Sq. Ft. Sales Area | $26.50 | $26.54 | $26.87 | $23.68 |
| Net Sales to Accounts Receivable | 28.97x | 20.25x | 16.56x | 18.90x |
| Net Sales to Total Assets | 2.43x | 2.08x | 1.99x | 1.80x |
| Net Sales to Net Worth | 4.19x | 3.37x | 3.78x | 3.36x |
| Net Sales to Net Working Capital | 4.57x | 3.71x | 3.89x | 3.36x |
| **Other Operating Data** | | | | |
| Incoming Freight — % of Purchases | .53% | .70% | .82% | 1.00% |
| Credit Sales — % of Total Gross Sales | 36.85% | 36.07% | 37.07% | 34.40% |
| Consumer Sales — % of Total Gross Sales | 80.43% | 79.87% | 78.02% | 84.28% |
| Selling Area — Square Feet | 5,588 | 6,350 | 5,864 | 4,989 |
| **Sales Per Square Foot — Selling Area** | $116.24 | $109.98 | $93.46 | $83.21 |
| Total Area — Square Feet | 8,266 | 9,699 | 8,919 | 7,644 |
| **Sales Per Square Foot — Total Area** | $78.58 | $72.01 | $61.45 | $54.31 |
| Sales Per Person Employed | $54,798 | $57,937 | $54,413 | $56,097 |
| Sales Per Customer | $7.69 | $11.58 | $9.32 | $7.89 |

*As reported to us by Management Report contributors.
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# Store Location: Part I

| Income Statement Data | Downtown | Suburban | Rural |
|---|---|---|---|
| **Number of Stores** | 409 | 193 | 52 |
| **Net Sales Volume** | $433,065 | $655,813 | $465,304 |
| Current Year's Sales vs. Previous Year* | +3.22% | +5.50% | +6.84% |
| Net Sales | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 64.82 | 65.51 | 64.93 |
| **Margin** | 35.18 | 34.49 | 35.07 |
| **Payroll and Other Employee Expense** | | | |
| Salaries — Owners, Officers, Managers | 6.24 | 6.59 | 6.17 |
| Salaries — Other Employees | 11.02 | 10.24 | 10.28 |
| Federal and State Payroll Taxes | 1.15 | 1.14 | 1.11 |
| Group Insurance | .50 | .40 | .29 |
| Benefit Plans | .45 | .49 | .28 |
| **Total Payroll and Other Employee Expense** | 19.36 | 18.86 | 18.13 |
| **Occupancy Expense** | | | |
| Heat, Light, Power, Water | .98 | .99 | 1.18 |
| Repairs to Building | .33 | .39 | .45 |
| Rent or Ownership in Real Estate** | 2.82 | 3.45 | 3.24 |
| **Total Occupancy Expense** | 4.13 | 4.83 | 4.87 |
| **Other Costs of Doing Business** | | | |
| Advertising | 1.92 | 1.93 | 2.11 |
| Depreciation (Other than Real Estate) | .65 | .74 | .86 |
| Insurance (Other than Real Estate and Group) | .90 | .82 | .97 |
| Taxes (Other than Real Estate and Payroll) | .55 | .44 | .84 |
| All Other Expenses | 4.67 | 4.21 | 4.57 |
| **Total Other Costs of Doing Business** | 8.69 | 8.14 | 9.35 |
| **Total Operating Expense** | 32.18 | 31.83 | 32.35 |
| **Net Operating Profit** | 3.00 | 2.66 | 2.72 |
| Other Income | 1.51 | 1.02 | .78 |
| **Net Profit (Before Income Taxes)** | 4.51 | 3.68 | 3.50 |
| **Financial Performance** | | | |
| **Profit on Investment** | 13.93% | 15.77% | 15.57% |
| Active Owner's Return | 33.18% | 43.98% | 43.02% |
| Current Asset Ratio | 3.69x | 2.90x | 2.69x |
| Quick Asset Ratio | 1.20x | .83x | .76x |
| Total Debt to Tangible Net Worth | 64.89% | 88.46% | 137.86% |
| **Stock Turn Times** | 2.45x | 3.00x | 2.51x |
| Sales to Inventory Ratio | 3.79x | 4.58x | 3.86x |
| Average Inventory per Sq. Ft. Sales Area | $24.16 | $25.34 | $27.07 |
| Net Sales to Accounts Receivable | 16.09x | 27.53x | 17.99x |
| Net Sales to Total Assets | 1.87x | 2.27x | 1.87x |
| Net Sales to Net Worth | 3.08x | 4.28x | 4.45x |
| Net Sales to Net Working Capital | 3.38x | 4.81x | 4.31x |
| **Other Operating Data** | | | |
| Incoming Freight — % of Purchases | .97% | .55% | .55% |
| Credit Sales — % Total Gross Sales | 39.22% | 34.45% | 35.64% |
| Consumer Sales — % of Total Gross Sales | 81.77% | 80.29% | 85.79% |
| Selling Area — Square Feet | 5,040 | 6,197 | 5,199 |
| **Sales Per Square Foot — Selling Area** | $85.93 | $105.83 | $89.50 |
| Total Area — Square Feet | 7,969 | 8,884 | 8,157 |
| **Sales Per Square Foot — Total Area** | $54.34 | $73.82 | $57.04 |
| Sales Per Person Employed | $54,194 | $55,525 | $57,747 |
| Sales Per Customer | $9.89 | $7.14 | $10.74 |

*As reported to us by Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# Store Location: Part II

| Income Statement Data | Shopping Center | | Free-Standing | |
|---|---|---|---|---|
| | Neighborhood | Community or Regional | No Stores Adjacent | Stores Nearby |
| **Number of Stores** | 96 | 74 | 99 | 431 |
| **Net Sales Volume** | $446,321 | $541,355 | $637,830 | $479,392 |
| Current Year's Sales vs. Previous Year* | +5.02% | +6.13% | +1.78% | +4.16% |
| Net Sales | 100.00% | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 62.20 | 64.62 | 65.57 | 65.51 |
| **Margin** | 37.80 | 35.38 | 34.43 | 34.49 |
| **Payroll and Other Employee Expense** | | | | |
| Salaries — Owners, Officers, Managers | 7.43 | 6.06 | 5.62 | 6.32 |
| Salaries – Other Employees | 10.64 | 10.35 | 11.28 | 10.68 |
| Federal and State Payroll Taxes | 1.21 | 1.10 | 1.21 | 1.13 |
| Group Insurance | .51 | .41 | .46 | .43 |
| Benefit Plans | .25 | .65 | .62 | .41 |
| **Total Payroll and Other Employee Expense** | 20.04 | 18.57 | 19.19 | 18.97 |
| **Occupancy Expense** | | | | |
| Heat, Light, Power, Water | 1.07 | .98 | .97 | .99 |
| Repairs to Building | .43 | .25 | .37 | .36 |
| Rent or Ownership in Real Estate** | 3.69 | 3.19 | 3.19 | 2.98 |
| **Total Occupancy Expense** | 5.19 | 4.42 | 4.53 | 4.33 |
| **Other Costs of Doing Business** | | | | |
| Advertising | 2.22 | 1.83 | 1.76 | 1.92 |
| Depreciation (Other than Real Estate) | .69 | .64 | .71 | .68 |
| Insurance (Other than Real Estate or Group) | 1.00 | .76 | .78 | .90 |
| Taxes (Other than Real Estate or Payroll) | .45 | .78 | .36 | .52 |
| All Other Expenses | 5.07 | 4.63 | 4.03 | 4.43 |
| **Total Other Costs of Doing Business** | 9.43 | 8.64 | 7.64 | 8.45 |
| **Total Operating Expense** | 34.66 | 31.63 | 31.36 | 31.75 |
| **Net Operating Profit** | 3.14 | 3.75 | 3.07 | 2.74 |
| Other Income | 1.00 | .96 | 1.23 | 1.37 |
| **Net Profit (Before Income Taxes)** | 4.14 | 4.71 | 4.30 | 4.11 |
| **Financial Performance** | | | | |
| **Profit on Investment** | 16.54% | 18.18% | 15.51% | 13.74% |
| Active Owner's Return | 46.18% | 41.56% | 35.82% | 34.87% |
| Current Asset Ratio | 3.39x | 3.17x | 3.88x | 3.37x |
| Quick Asset Ratio | .93x | .86x | 1.22x | 1.09x |
| Total Debt to Tangible Net Worth | 92.03% | 94.05% | 70.68% | 69.34% |
| **Stock Turn Times** | 2.51x | 2.28x | 2.80x | 2.68x |
| Sales to Inventory Ratio | 4.04x | 3.52x | 4.28x | 4.10x |
| Average Inventory per Sq. Ft. Sales Area | $22.85 | $26.98 | $27.23 | $24.54 |
| Net Sales to Accounts Receivable | 27.52x | 16.82x | 21.00x | 18.40x |
| Net Sales to Total Assets | 2.08x | 1.99x | 2.12x | 1.98x |
| Net Sales to Net Worth | 3.99x | 3.86x | 3.61x | 3.35x |
| Net Sales to Net Working Capital | 4.00x | 3.62x | 3.81x | 3.81x |
| **Other Operating Data** | | | | |
| Incoming Freight — % of Purchases | 76% | 72% | 60% | 84% |
| Credit Sales — % of Total Gross Sales | 32.78% | 37.02% | 34.94% | 37.34% |
| Consumer Sales — % of Total Gross Sales | 85.62% | 84.58% | 76.93% | 81.71% |
| Selling Area — Square Feet | 5,154 | 6,218 | 6,292 | 5,104 |
| **Sales Per Square Foot — Selling Area** | $86.60 | $87.06 | $101.37 | $93.92 |
| Total Area — Square Feet | 7,232 | 9,085 | 9,876 | 7,883 |
| **Sales Per Square Foot — Total Area** | $61.71 | $59.59 | $64.58 | $60.81 |
| Sales Per Person Employed | $47,824 | $54,129 | $58,243 | $55,558 |
| Sales Per Customer | $6.42 | $5.81 | $10.19 | $9.45 |

*As reported to us by Management Report contributors

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages

# Geographical Region

1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania
3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia
4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin
5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee
6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas
8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming,
9. **Pacific**
   California, Oregon, Washington

*As reported to us by Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings

| Income Statement Data | New England |
|---|---|
| **Number of Stores** | 96 |
| **Net Sales Volume** | $542,211 |
| Current Year's Sales vs. Previous Year* | +3.25% |
| Net Sales | 100.00% |
| Cost of Goods Sold | 65.78 |
| **Margin** | 34.22 |
| **Payroll and Other Employee Expense** | |
| Salaries — Owners, Officers, Managers | 5.57 |
| Salaries — Other Employees | 11.60 |
| Federal and State Payroll Taxes | 1.30 |
| Group Insurance | .67 |
| Benefit Plans | .50 |
| **Total Payroll and Other Employee Expense** | 19.64 |
| **Occupancy Expense** | |
| Heat, Light, Power, Water | 1.14 |
| Repairs to Building | .30 |
| Rent or Ownership in Real Estate** | 3.49 |
| **Total Occupancy Expense** | 4.93 |
| **Other Costs of Doing Business** | |
| Advertising | 1.49 |
| Depreciation (Other than Real Estate) | .76 |
| Insurance (Other than Real Estate and Group) | .91 |
| Taxes (Other than Real Estate and Payroll) | .12 |
| All Other Expenses | 4.30 |
| **Total Other Costs of Doing Business** | 7.58 |
| **Total Operating Expense** | 32.15 |
| **Net Operating Profit** | 2.07 |
| Other Income | 1.30 |
| **Net Profit (Before Income Taxes)** | 3.37 |

| Financial Performance | |
|---|---|
| **Profit on Investment** | 14.56% |
| Active Owner's Return | 38.61% |
| Current Asset Ratio | 2.87x |
| Quick Asset Ratio | .97x |
| Total Debt to Tangible Net Worth | 88.49% |
| **Stock Turn Times** | 3.20x |
| Sales to Inventory Ratio | 4.87x |
| Average Inventory per Sq. Ft. Sales Area | $29.10 |
| Net Sales to Accounts Receivable | 23.37x |
| Net Sales to Total Assets | 2.29x |
| Net Sales to Net Worth | 4.32x |
| Net Sales to Net Working Capital | 4.73x |

| Other Operating Data | |
|---|---|
| Incoming Freight — % of Purchases | .63% |
| Credit Sales — % Total Gross Sales | 36.08% |
| Consumer Sales — % of Total Gross Sales | 82.14% |
| Selling Area — Square Feet | 4,642 |
| **Sales Per Square Foot — Selling Area** | 116.81 |
| Total Area — Square Feet | 7,890 |
| **Sales Per Square Foot — Total Area** | $68.72 |
| Sales Per Person Employed | $52,358 |
| Sales Per Customer | $8.11 |

# Geographical Region

| 2 Middle Atlantic | 3 South Atlantic | 4 East North Central | 5 East South Central | 6 West North Central | 7 West South Central | 8 Mountain | 9 Pacific |
|---|---|---|---|---|---|---|---|
| 137 | 106 | 292 | 39 | 149 | 20 | 14 | 53 |
| $382,575 | $584,291 | $495,014 | $473,190 | $409,481 | $797,269 | $690,058 | $504,457 |
| +6.14% | +8.17% | +.91% | +1.71% | +2.76% | +8.98% | +3.84% | +6.93% |
| 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 64.36 | 67.04 | 63.03 | 67.16 | 66.62 | 65.23 | 65.26 | 61.93 |
| 35.64 | 32.96 | 36.97 | 32.84 | 33.38 | 34.77 | 34.74 | 38.07 |
| | | | | | | | |
| 6.71 | 6.54 | 6.29 | 5.41 | 5.99 | 4.70 | 4.83 | 7.19 |
| 10.18 | 9.82 | 11.86 | 9.97 | 10.35 | 11.93 | 10.75 | 11.32 |
| 1.30 | .93 | 1.25 | .86 | 1.04 | .98 | 1.07 | 1.40 |
| .36 | .33 | .52 | .45 | .37 | .42 | .71 | .35 |
| .59 | .26 | .44 | .09 | .41 | .68 | .40 | .58 |
| 19.14 | 17.88 | 20.36 | 16.78 | 18.16 | 18.71 | 17.76 | 20.84 |
| | | | | | | | |
| 1.16 | .88 | 1.16 | .83 | 1.04 | .75 | .75 | .71 |
| .44 | .50 | .28 | .39 | .28 | .42 | .41 | .37 |
| 3.35 | 2.64 | 3.34 | 2.64 | 3.19 | 3.06 | 4.11 | 3.42 |
| 4.95 | 4.02 | 4.78 | 3.86 | 4.51 | 4.23 | 5.27 | 4.50 |
| | | | | | | | |
| 2.02 | 1.17 | 2.57 | 1.42 | 2.36 | 1.31 | 1.83 | 1.91 |
| .70 | .68 | .83 | .77 | .70 | .46 | .42 | .59 |
| 1.19 | .71 | .84 | 1.02 | .98 | .63 | .51 | .88 |
| .53 | .82 | .54 | .61 | .24 | .35 | .38 | .47 |
| 4.37 | 4.18 | 5.16 | 5.73 | 5.14 | 3.41 | 3.85 | 4.89 |
| 8.81 | 7.56 | 9.94 | 9.55 | 9.42 | 6.16 | 6.99 | 8.74 |
| 32.90 | 29.46 | 35.08 | 30.19 | 32.09 | 29.10 | 30.02 | 34.08 |
| 2.74 | 3.50 | 1.89 | 2.65 | 1.29 | 5.67 | 4.72 | 3.99 |
| .95 | 1.12 | 1.38 | 2.37 | 1.26 | 1.49 | 1.39 | .98 |
| 3.69 | 4.62 | 3.27 | 5.02 | 2.55 | 7.16 | 6.11 | 4.97 |
| | | | | | | | |
| 12.16% | 16.10% | 12.63% | 16.65% | 10.33% | 20.11% | 21.48% | 16.67% |
| 34.23% | 38.86% | 36.94% | 34.59% | 34.60% | 33.31% | 38.48% | 40.81% |
| 3.36x | 3.36x | 3.33x | 2.84x | 3.01x | 6.65x | 3.42x | 5.03x |
| 1.03x | 1.05x | .90x | .94x | .81x | 2.75x | .75x | 1.59x |
| 70.66% | 64.84% | 109.00% | 78.26% | 100.34% | 31.95% | 91.88% | 50.86% |
| 2.63x | 2.97x | 2.18x | 2.38x | 2.36x | 2.83x | 2.33x | 2.51x |
| 4.08x | 4.43x | 3.46x | 3.54x | 3.54x | 4.34x | 3.57x | 4.06x |
| $25.19 | $26.44 | $23.86 | $25.21 | $22.37 | $23.62 | $30.35 | $25.60 |
| 19.73x | 16.71x | 23.32x | 13.08x | 19.13x | 15.02x | 29.12x | 21.20x |
| 1.93x | 2.11x | 1.85x | 1.86x | 2.02x | 2.13x | 1.83x | 2.22x |
| 3.29x | 3.48x | 3.87x | 3.31x | 4.05x | 2.81x | 3.52x | 3.36x |
| 3.84x | 4.20x | 3.50x | 3.53x | 3.79x | 2.97x | 3.75x | 3.32x |
| | | | | | | | |
| .47% | .57% | 1.14% | .95% | 1.19% | .40% | .59% | .76% |
| 36.54% | 41.05% | 31.33% | 38.00% | 36.52% | 38.11% | 34.91% | 37.07% |
| 80.97% | 74.67% | 83.40% | 83.17% | 85.61% | 81.68% | 84.00% | 87.79% |
| 4,078 | 5,877 | 5,594 | 5,990 | 5,473 | 7,953 | 6,582 | 5,379 |
| $93.81 | $99.42 | $88.49 | $79.00 | $74.82 | $100.25 | $104.84 | $93.78 |
| 6,625 | 9,386 | 8,251 | 9,746 | 7,449 | 12,243 | 9,729 | 7,334 |
| $57.75 | $62.65 | $59.99 | $48.55 | $54.97 | $65.12 | $70.93 | $68.78 |
| $55,067 | $60,994 | $51,559 | $72,602 | $54,477 | $62,975 | $57,505 | $49,438 |
| $7.64 | $9.02 | $8.30 | $14.73 | $9.48 | $13.14 | $4.60 | $7.20 |

# Number of Stores

| Income Statement Data | Single Store Business | Multiple Store Business |
|---|---|---|
| **Number of Stores** | 802 | 106 |
| **Net Sales Volume** | $482,373 | $554,869 |
| Current Year's Sales vs. Previous Year* | +3.64% | +5.15% |
| Net Sales | 100.00% | 100.00% |
| Cost of Goods Sold | 64.56 | 66.30 |
| **Margin** | 35.44 | 33.70 |
| **Payroll and Other Employee Expense** | | |
| Salaries — Owners, Officers, Managers | 6.23 | 5.71 |
| Salaries — Other Employees | 10.93 | 11.24 |
| Federal and State Payroll Taxes | 1.17 | 1.18 |
| Group Insurance | .45 | .45 |
| Benefit Plans | .43 | .45 |
| **Total Payroll and Other Employee Expense** | 19.21 | 19.03 |
| **Occupancy Expense** | | |
| Heat, Light, Power, Water | 1.04 | 1.01 |
| Repairs to Building | .32 | .51 |
| Rent or Ownership in Real Estate** | 3.25 | 3.04 |
| **Total Occupancy Expense** | 4.61 | 4.56 |
| **Other Costs of Doing Business** | | |
| Advertising | 2.07 | 1.62 |
| Depreciation (Other than Real Estate) | .73 | .70 |
| Insurance (Other than Real Estate and Group) | .89 | .90 |
| Taxes (Other than Real Estate and Payroll) | .47 | .67 |
| All Other Expenses | 4.75 | 4.80 |
| **Total Other Costs of Doing Business** | 8.91 | 8.69 |
| **Total Operating Expense** | 32.73 | 32.28 |
| **Net Operating Profit** | 2.71 | 1.42 |
| Other Income | 1.30 | 1.15 |
| **Net Profit (Before Income Taxes)** | 4.01 | 2.57 |
| **Financial Performance** | | |
| **Profit on Investment** | 14.39% | 11.30% |
| Active Owner's Return | 36.77% | 36.74% |
| Current Asset Ratio | 3.44x | 2.55x |
| Quick Asset Ratio | 1.03x | .73x |
| Total Debt to Tangible Net Worth | 84.49% | 95.01% |
| **Stock Turn Times** | 2.44x | 2.90x |
| Sales to Inventory Ratio | 3.78x | 4.38x |
| Average Inventory per Sq. Ft. Sales Area | $23.14 | $80.87 |
| Net Sales to Accounts Receivable | 19.61x | 19.41x |
| Net Sales to Total Assets | 1.95x | 2.26x |
| Net Sales to Net Worth | 3.59x | 4.42x |
| Net Sales to Net Working Capital | 3.61x | 4.99x |
| **Other Operating Data** | | |
| Incoming Freight — % of Purchases | .89% | .63% |
| Credit Sales — % Total Gross Sales | 35.05% | 38.22% |
| Consumer Sales — % of Total Gross Sales | 82.85% | 76.63% |
| Selling Area — Square Feet | 5,373 | 5,236 |
| **Sales Per Square Foot — Selling Area** | $89.78 | $105.97 |
| Total Area — Square Feet | 8,085 | 8,479 |
| **Sales Per Square Foot — Total Area** | $59.66 | $65.44 |
| Sales Per Person Employed | $54,065 | $62,721 |
| Sales Per Customer | $8.25 | $9.90 |

*As reported to us by Management Report contributors.
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for hard-lines retailers. The Model combines the principal elements of a firm's operating statment and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth: profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

### Profit Margin

**Sales** — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

**Cost of Goods Sold** — Improve Gross Margin through variable pricing, efficient buying, etc.

**Expenses** — Trimming expenses is difficult in view of today's high inflation, labor costs, occupancy expense, etc., however carefully review each item of expense for areas of cost savings.

**Other income** — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

### Asset Turnover

**Inventory** — Decrease inventory level through a careful review of the levels of all items, trim slow moving items, eliminate obsolete items.

**Accounts Receivable** — Review status of accounts, if excessively high without the use of a finance charge, customers are operating on the firm's money.

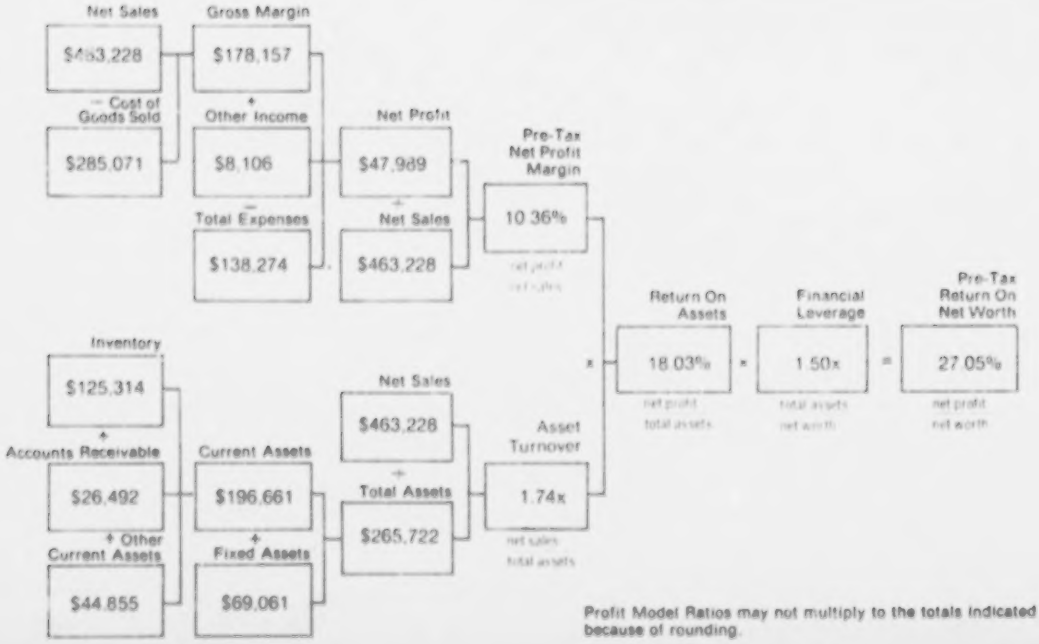
**Fixed Assets** — Divide Net Sales by Fixed Assets; a substantially lower than industry average ratio indicates excessive investments resulting in idle capacity.

### Leverage

The amount of borrowed funds has a number of major implications. 1) creditors look to owner supplied funds to provide a margin of safety, 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

# High-Profit Stores




Profit Model Ratios may not multiply to the totals indicated because of rounding.

# Departmental Sales

The Departmental Sales section of the Financial Report offers a variety of information for thirteen major departments carried in the hardlines industry's retail outlets.

**Departmental Contributions**
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory, cost of goods sold and dollar productivity per square foot of sales area. These data are for **Handling Firms Only.** All stores participating in the survey that do not carry a certain department were not included in the computation of the average data for that department.

As an example to help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in the Financial Report shows 90% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90% of stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other operators who also carry that department.

The Financial Report also presents an **Average Store Profile.** This profile shows data for a hardware store handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of a hardware store that does not carry all the major departments. How can the relationships of only carried departments be compared to a total store industry average? The necessary data are contained in the Report, only a simple computation is required. First, for each department carried, add the industry average percents of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for a hardware store carrying only these departments.

As an example, a hardlines retailer carries only four departments — Hardware, Hand and Power Tools, Paint and Sundries and Automotive Supplies. Assume The Financial Report indicates percent of Net Sales for handling firms for each department to be:

| | |
|---|---|
| Hardware | 15.0% |
| Hand and Power Tools | 10.0% |
| Paint and Sundries | 20.0% |
| Automotive Supplies | 5.0% |

The total of these percents equals 50.0%. Now divide the total (50.0%) into each of the individual department's percent:

| | | |
|---|---|---|
| Hardware | 15.0 / 50.0 | = 30.0% |
| Hand and Power Tools | 10.0 / 50.0 | = 20.0% |
| Paint and Sundries | 20.0 / 50.0 | = 40.0% |
| Automotive Supplies | 5.0 / 50.0 | = 10.0% |

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand and Power Tools, Paint and Sundries, and Automotive Supplies. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space, inventory and cost of goods sold.

**Productivity**
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The table presented on the following page examines these departmental evaluation criteria.

The first evaluative measure is departmental gross margin.

On the basis of margin alone, the following departments would be considered high performing departments: hardware, paint, electrical and plumbing, heating and cooling. Margin evaluations alone would indicate major appliances, lumber and other departments to be below average performance.

An additional measure is the sales to inventory ratio (net sales divided by average inventory at cost). On the basis of this ratio alone, paint and paint sundries, electrical supplies and lumber exceed all the other department averages.

An excellent way for hardware store operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover. GMROI is computed by taking the margin percentage times the sales to inventory ratio. Lawn and Garden's GMROI, for example, is 1.30 which means $1.30 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give hardware store operators ways to measure departmental performance across diverse merchandise lines. Traditional high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

Individual hardware store operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

# Departmental Contribution

| Department | Handling Firms Only: % Handling | % of Net Sales | % of Sales Floor | % of Inventory | % of Cost of Goods Sold | $ Sales Per Sq. Ft. | Average Store Profile: % of Net Sales | % of Sales Floor | % of Inventory | % of Cost of Goods Sold |
|---|---|---|---|---|---|---|---|---|---|---|
| Hardware | 100.0 | 20.4 | 16.4 | 18.2 | 17.6 | 107.37 | 20.3 | 16.3 | 18.1 | 17.7 |
| Hand & Power Tools | 100.0 | 8.9 | 9.3 | 12.2 | 11.3 | 98.18 | 7.8 | 8.4 | 11.3 | 9.5 |
| Plumbing, Heating and Cooling | 100.0 | 11.9 | 10.9 | 10.4 | 9.8 | 97.83 | 11.3 | 10.3 | 9.7 | 9.3 |
| Electrical Supplies | 100.0 | 9.0 | 7.5 | 7.7 | 8.4 | 114.32 | 8.4 | 7.2 | 7.3 | 7.8 |
| Paint & Paint Sundries | 97.6 | 13.2 | 12.6 | 12.9 | 11.6 | 104.79 | 12.9 | 12.6 | 12.9 | 11.6 |
| Lumber | 13.4 | 11.0 | 4.4 | 3.2 | 1.4 | 64.68 | 1.4 | .5 | .2 | .1 |
| Building Materials | 24.9 | 6.7 | 3.8 | 4.5 | 3.3 | 62.98 | 1.7 | 1.0 | .8 | .7 |
| Lawn & Garden | 90.9 | 11.5 | 12.5 | 11.3 | 12.5 | 87.33 | 10.4 | 12.1 | 10.9 | 11.4 |
| Housewares | 85.8 | 12.8 | 18.4 | 18.9 | 15.1 | 78.65 | 11.0 | 15.9 | 16.6 | 12.5 |
| Automotive Supplies | 54.6 | 4.7 | 4.7 | 3.0 | 4.0 | 111.13 | 2.6 | 2.9 | 1.7 | 2.2 |
| Major Appliances & Home Entertainment | 21.7 | 7.6 | 5.5 | 5.0 | 8.8 | 115.31 | 1.6 | .8 | 1.0 | 2.1 |
| Sporting Goods & Outdoor Equipment | 67.6 | 6.0 | 7.4 | 7.9 | 8.9 | 78.01 | 4.1 | 4.8 | 5.4 | 6.3 |
| Other Departments | 56.5 | 11.8 | 13.8 | 9.6 | 14.6 | 98.91 | 6.5 | 7.2 | 4.1 | 8.8 |
| | | | | | | | 100.0 | 100.0 | 100.0 | 100.0 |

# Productivity

| Department | Typical Store Profile: Gross Margin % | Sales To Inventory Ratio | GMROI |
|---|---|---|---|
| Hardware | 40.9 | 4.0 | 1.64 |
| Hand & Power Tools | 33.9 | 3.3 | 1.12 |
| Plumbing, Heating & Cooling | 36.4 | 4.1 | 1.57 |
| Electrical Supplies | 36.8 | 4.8 | 1.86 |
| Paint & Paint Sundries | 37.9 | 4.5 | 1.71 |
| Lumber | 32.0 | 4.7 | 1.50 |
| Building Materials | 33.5 | 2.6 | .87 |
| Lawn & Garden | 34.3 | 3.8 | 1.30 |
| Housewares | 34.8 | 3.6 | 1.25 |
| Automotive Supplies | 33.9 | 4.0 | 1.36 |
| Major Appliances & Home Entertainment | 26.8 | 4.3 | 1.15 |
| Sporting Goods & Outdoor Equipment | 32.9 | 3.2 | 1.05 |
| Other Departments | 32.0 | 3.2 | 1.02 |

# Compensation Study

Compensation data has been gathered for seven types of retail hardgood industry employees:

**Department Managers**
Employees who have specific responsibility for a given department or departments like the housewares, paint, or electrical supply departments.

**Sales Personnel**
Employees who spend the majority of their time on the sales floor, ordering and stocking as well as selling.

**Office Personnel**
Those who spend the majority of their time in the office — accountants, bookkeepers, billing clerks, data processing personnel, etc.

**Check-Out/Counter Help**
Employees who spend most of their time at the cash register or information counter.

**Delivery Personnel**
Employees who spend the majority of their time delivering goods and orders — also includes receiving help.

**Warehouse Personnel**
Employees who spend the majority of their time in the store or cental warehouse. Includes fork-lift operators, truckloaders, order processors, foremen and other warehouse personnel.

**Other Personnel**
Any other employee not covered in the above categories, including shop-labor, repairmen, watchmen and janitorial personnel.

Even though wage rates differ substantially by locality, the results contained in this section provide many guidelines for comparison. The Compensation Study presents for each employee classification data related to:

— Average number per $100,000 sales
— % Full-Time
— Annual Salary
— Wage per Hour
— Annual Man Hours Worked

**Average Number Per Sales**
—Computed by dividing the number of employees in each category by Net Sales stated in thousands of dollars.
—Expressed as a number.
—Shows the number of employees for each category per $100,000 in sales.

—For example, sales equal $2 million. First divide $2 million by $100,000 = 20.0. Next, divide each category by 20. For example, 8 full-time sales ÷ 8 ÷ 20 = 0.400 per $100,000.

**% Full Time**
—Computed by dividing the number of Full-Time Employees in each category by all employees in that category.
—Shows the percentage of employees in each category who are full-time (30 or more hrs. per week).

**Annual Salary**
—All wages and bonuses paid.

**Wage Per Hour**
—Computed by dividing the annual salary including bonuses by the total man hours worked.

**Annual Man Hours Worked**
—Regular and overtime hours less vacation time. Useful when compared to past performance.

Additionally, the Compensation Study presents data for three important measures of productivity for all employees and sales personnel:
—Sales per Year
—Sales per Man Hour
—Sales per $ Payroll

**Sales Per Year**
—Computed by dividing the total annual Net Sales by the total number of employees or the total number of sales personnel only.
—Expressed in retail sales dollars.
—Measures employee productivity.

**Sales Per Man Hour**
—Computed by dividing the total annual Net Sales by the total man hours worked for all employees or by the total man hours worked for sales personnel only.
—Expressed in retail sales dollars.
—Measures employee productivity.
—Useful when compared with past performance results. The ratio gives an indication of sales produced per hours worked.

**Sales Per $ Payroll**
—Computed by dividing the total annual Net Sales by the total annual payroll for all employees or by the total annual payroll for sales personnel only.
—Expressed in retail sales dollars.
—Measures employee productivity.
—The ratio measures sales generated per dollar of payroll expense. Again useful when compared to past performance.

Additional data gathered on Owners, Officers and Store Managers is available on a confidential basis from NRHA or your regional Hardware Association. To obtain your copy, request the Management Report Owner, Officer and Manager Compensation Report on your firm's letterhead.

# All Stores

| Type of Employee | Average Number Per $100,000 Sales | % Full Time | Annual Salary Includes Bonus $ | Wage Per Hour $ | Annual Man Hours Worked |
|---|---|---|---|---|---|
| Department Managers | 0.28 | | 12,639 | 5.89 | 2,146 |
| Sales — Full-Time | 0.58 | 60.4 | 8,612 | 4.30 | 2,005 |
| Sales — Part-Time | 0.61 | | | 3.61 | 900 |
| Office — Full-Time | 0.17 | 78.8 | 9,142 | 4.60 | 1,989 |
| Office — Part-Time | 0.20 | | | 4.55 | 801 |
| Check-Out — Full-Time | 0.19 | 57.9 | 7,207 | 3.66 | 1,967 |
| Check-Out — Part-Time | 0.31 | | | 3.34 | 859 |
| Delivery — Full-Time | 0.11 | 79.5 | 9,430 | 4.42 | 2,134 |
| Delivery — Part-Time | 0.17 | | | 3.73 | 817 |
| Warehouse — Full-Time | 0.11 | 81.0 | 9,018 | 4.35 | 2,071 |
| Warehouse — Part-Time | 0.15 | | | 3.82 | 956 |
| Other — Full-Time | 0.21 | 86.8 | 11,680 | 5.64 | 2,071 |
| Other — Part-Time | 0.27 | | | 3.88 | 652 |
| All Full-Time Employees* | 1.37 | 64.3 | 9,266 | 4.57 | 2,027 |
| All Part-Time Employees | 1.71 | | | 3.68 | 865 |

# Employee Productivity

| Type of Store | Sales Per Year | | Sales Per Man Hour | | Sales Per $ Payroll | |
|---|---|---|---|---|---|---|
| | All Employees** $ | Sales Personnel Only $ | All Employees** $ | Sales Personnel Only $ | All Employees** $ | Sales Personnel Only $ |
| **All Stores** | 49,329 | 101,616 | 29.98 | 68.33 | 5.50 | 16.66 |
| **Sales Volume Size** | | | | | | |
| Sales under $250,000 | 38,260 | 74,064 | 22.60 | 61.23 | 5.61 | 15.96 |
| $250,000 to $499,000 | 45,639 | 89,630 | 27.67 | 60.10 | 5.38 | 14.74 |
| $500,000 to $749,999 | 44,897 | 95,651 | 28.69 | 67.81 | 5.33 | 16.97 |
| $750,000 or more | 57,413 | 122,239 | 34.37 | 77.67 | 5.66 | 18.44 |
| **Sales Floor Size** | | | | | | |
| Under 3,000 Sq. Ft. | 46,436 | 93,255 | 27.63 | 66.41 | 5.42 | 15.41 |
| 3,000 to 4,999 Sq. Ft. | 52,674 | 108,394 | 31.18 | 74.97 | 5.80 | 18.20 |
| 5,000 to 9,999 Sq. Ft. | 46,320 | 99,505 | 29.14 | 70.75 | 5.30 | 16.98 |
| 10,000 Sq. Ft. or more | 51,234 | 101,227 | 30.55 | 61.74 | 5.56 | 15.90 |
| **Type of Organization** | | | | | | |
| Proprietorship | 46,081 | 95,477 | 27.36 | 66.78 | 6.14 | 16.64 |
| Partnership | 50,365 | 97,579 | 31.26 | 72.62 | 5.93 | 17.98 |
| Corporation | 49,548 | 102,458 | 30.12 | 68.15 | 5.42 | 16.57 |
| **Trade Area Size** | | | | | | |
| S.M.S.A.-Central City | 45,799 | 92,292 | 29.17 | 63.72 | 4.99 | 14.65 |
| S.M.S.A.-Suburban | 47,983 | 100,071 | 28.14 | 58.13 | 5.59 | 16.79 |
| Cities-10,000-50,000 | 49,266 | 98,145 | 28.55 | 61.89 | 5.36 | 14.73 |
| Rural Areas Under 10,000 | 51,138 | 109,511 | 31.55 | 77.94 | 5.83 | 19.60 |

*Excluding Owners, Officers and Store Managers

**Including Owners, Officers and Store Managers

# New Store Data

To determine the feasibility of a new hardware store, four distinct planning phases are required:

—Preliminary Financial Analysis
—Market Analysis
—Formal Financial Analysis
—Development of Store Image

**Phase I**

As the ultimate criterion of feasibility for a proposed hardware operation will be profitability, the planning process should begin with a preliminary financial analysis.

The investment required for a new retail hardware store can range between $25 to $60 per square foot, depending on locality, size, occupancy position and personal preferences.

Based on the desired size of the operation, utilize the industry operating averages presented in NRHA's Management Report to estimate sales volumes, gross margins, salaries and other costs of doing business to project Net Profits and Return on Investment for the proposed hardware operation. An important fact to remember is there is a direct correlation between the square feet of sales area, average dollar inventory and the attainable sales volumes.

If the preliminary financial analysis meets predetermined individual requirements in attainable salary levels, Net Profit and Return on Investment, the second phase of planning may be initiated.

**Phase II**
**Site Location**

The market area to be served by the proposed hardware operation will be primarily determined by the selected site location. Nine major aspects of varying importance determine the worth of a given retail hardware store location. These aspects are listed below.

**Shopping Pull** — Businesses in the area which would help draw consumers to the area.

**Parking Facilities** — Adequate parking requires two to two and a half square feet of parking area for every square foot of selling area.

**Walk-In Traffic**
**Traffic Count and Patterns**
**Accessibility**
**Visibility**
**Congestion**
**Shopping Ease** — The ability for the consumer to get out of the store from the point of check-out to his or her auto with a large item.

**Ingress and Egress** — The ease with which customers can drive to or from the street to the parking area.

To select the best location, each prospective site should be assessed on the nine aspects to determine overall worth as a retail location. A subjective analysis of all aspects for each potential site available combined with an analysis of the cost for property and improvements will provide the basis for selecting the prime site location(s) for further analysis.

**Primary Trade Area**

After the selections of site(s), for the purpose of analysis it is necessary to bring the market area to be served to manageable proportions. Therefore a Primary Trade Area for the selected site location must be defined. The Primary Trade Area represents the geographical boundaries from which the majority of do-it-yourself consumer business for the proposed operation will be derived. These geographical boundries of the Primary Trade Area are affected by many variables. The most influencing variables are the proposed operation's size and merchandise mix, number of consuming residents required to support the operation, driving time to site location, the proximity of retail activity concentrations and natural or man-made barriers.

**Size** — The ability to draw consumers from a distance to a retail outlet is directly related to the size of the display area and the number, depth and breadth of departmental lines carried.

**Number of Consumers** — A 5,000 square foot store requires 15,000 to 20,000 consuming residents; a 10,000 square foot store requires 30,000 to 35,000 consuming residents.

**Driving Time** — Typically a 5,000 square foot store can draw consumers within a 5 to 10 minutes driving time; a 10,000 square foot store drawing within 10 to 15 minutes driving time.

**Other Retail Stores** — Proximity to highly active retail areas helps to share the burden of drawing consumers to the area for shopping purposes.

**Barriers** — Barriers affecting accessibility to a selected site location can dramatically alter the boundries of the Primary Trade Area.

The feasibility of a new hardware store within a given Primary Trade Area is dependent on two major factors, the demographic characteristics of the consumers and the number and strength of the competitors.

**Consumer Analysis**

From past NRHA research it has been learned that demographic variables relating to population growth rate, income levels and incidence of owner-occupied housing are the most critical variables in predicting a consumers' propensity to spend on hardlines.

**Population Growth Rate** — A viable environment for a new hardware store requires that the Primary Trade Area experience a minimum of 5 to 1.0 percent annual increase in population with the preferred rate being 2.0 percent or more.

**Income Levels** — Consumers with middle to upper-middle income have the greatest propensity to purchase hardlines, lumber and building materials.

**Type of Housing** — Consumers who own their own homes will spend as much as 4 to 5 times more per year for hardlines, lumber and building materials than renters, mobile home or condominium owners.

**Competitive Analysis**

Although within a given Primary Trade Area, consumer demographic variables may indicate a healthy environment for a new retail hardware store, feasibility for the proposed operation cannot be determined without an analysis of the competition.

Depending on merchandise mix, primary hardlines sales represent approximately 65 to 85 percent of the total sales volume for an average hardware store. Primary hardlines include: hardware, tools, electrical, plumbing, lawn and garden, paint and paint sundries. As the primary hardlines represent the substantial majority of sales for a hardware store, an analysis to determine the feasibility of a new store should focus on these lines.

Retail stores which carry competitive lines and would be likely to be shopped by Primary Trade Area residents should be visited and assessed. These retail outlets include all hardware stores, home centers, lumber/building material outlets, mass merchandisers, discount stores, variety and drug stores and specialty stores.

The retail competitors should be delineated by location and preferably spotted on a map. All competitive departmental lines should be assessed on a rating scale. A scale of 1 to 5 has been utilized with a rating of 1 indicating that the retailer offers a minimal selection of items and a 5 indicating an excellent departmental offering in both depth and breadth of line.

In this illustration the lawn/garden and paint departments are offered in depth by several strong competitors, indicating a possible market saturation in these lines. Plumbing has a fewer number of competitors carrying, and no competitor offers a strong plumbing departmental presentation. The hardware, tools and electrical departments have many competitors, but only a few strong competitors.

To be a full line hardware store, the merchandise mix must include hardware, tools, plumbing, electrical, lawn/garden, paint and paint sundries. However, due to the competitive structure of the Primary Trade Area and surrounding Market Area, strategic market thrust can be obtained by offering above average selections in departmental lines that are in poor supply.

In the illustration, based on the competitive situation and desired store image, the proposed operation should plan the following merchandise mix: Hardware — average to above average; Hand Tools — average; Electrical — average to above average; Plumbing — above average; Lawn/Garden — below average-heavy seasonal promotion only; Paint — average to below average; Paint Sundries — average to below average; Auto Supplies — average to above average.

**Illustration**

| | Hdwe. | Tools | Elec. | Plbg. | Lawn/ Gdn. | Pnt. | Sund- ries | Auto Splys. |
|---|---|---|---|---|---|---|---|---|
| **Site Area** | | | | | | | | |
| Variety Store | 1 | 1 | 2 | 1 | 3 | 2 | 1 | 2 |
| Drug Store | | | 1 | | 1 | | | |
| **Downtown** | | | | | | | | |
| Home Center | 5 | 4 | 5 | 4 | 4 | 5 | 5 | 3 |
| Paint Store | | | | | | 5 | 2 | |
| Auto Supplies | | 1 | 1 | | | | | 5 |
| **East** | | | | | | | | |
| Hardware Store | 4 | 3 | 4 | 2 | 5 | 3 | 3 | 1 |
| K-Mart | 4 | 5 | 3 | 3 | 5 | 5 | 4 | 4 |
| Lumber Outlet | 2 | 1 | 2 | 2 | 1 | 3 | 3 | |
| **South** | | | | | | | | |
| Sears | 4 | 5 | 4 | 4 | 5 | 5 | 4 | 5 |
| Penney | 3 | 4 | 4 | 3 | 4 | 4 | 3 | 4 |
| Sherwin Williams | | | | | 5 | 5 | | |
| Super Drugs | 2 | 1 | 1 | 2 | 3 | 2 | 1 | 2 |
| **Total** | 25 | 25 | 27 | 21 | 36 | 39 | 26 | 26 |
| # Of Competitors | 8 | 9 | 10 | 8 | 10 | 10 | 9 | 8 |

**Phase III**

If the analysis indicates a positive environment in both the consumer and competitive characteristics of the Primary Trade Area, a formal financial analysis should then be developed. Unlike the preliminary analysis, this analysis should include the actual cost of land, building fixtures and equipment to determine the total investment required.

The analysis should also include a pro-forma income statement to estimate the profits (losses) for the first three years of operation. Wherever possible actual operating expenses should be utilized — rent, taxes, utilities, etc. For those expense items that cannot be determined, NRHA's The Bottom Line will provide guidelines for estimation. Dependent on the projected profit (losses), total capital requirements including working capital will be determined.

One very important factor to remember is that a typical new store will take three years to reach maximum productivity and efficiency or what is termed "store maturity". Therefore do not be overly optimistic on setting performance goals. Based on 1981 dollars, the average new retail hardware store will achieve sales volumes of only $60 to $70 per square foot in the first year of operation with a second year productivity of $70 to $80 per square foot.

**Phase IV**

Through a combined analysis of all planning phases, the consumer store image is developed.

Owner's Economic Constraints
Customer Identification
Posture of Major Competitors
**will determine**
Size of Facility
Merchandise Mix
Service Level
Price Statement
**will determine**
Store Layout, Design and Decor
**which relays**
Consumer Store Image

# Affiliated Associations

**California Retail Hardware Association**
William R. Maze
122 Ninth St.
San Francisco, CA 94103
(415) 552-0536

**Canadian Retail Hardware Associaiton**
Thomas M. Ross
6800 Campobello Road
Mississauga, Ontario, Canada L5N 2L8
(416) 821-3470

**The Hardware Association of the Carolinas**
Eleanor Brigance
412 Louise Avenue
Charlotte, NC 28204
(704) 332-3141

**Illinois Retail Hardware Association**
John C. Friel
215 West Prospect Ave.
Mt. Prospect, IL 60056
(312) 392-8700

**Indiana-Kentucky Hardware Association, Inc.**
Richard L. Russell
4120 N. Keystone
Indianapolis, IN 46205
(317) 547-5471

**Intermountain Association**
R.M. Henderlider
2230 Main St.
Boise, ID 83706
(208) 342-7779

**Iowa Retail Hardware Association**
John C. Phillips
520 35th St.
Des Moines, IA 50312
(515) 274-0401

**Michigan Retail Hardware Association**
Thomas A. Aitken
4414 S. Pennsylvania Ave.
Box 30085
Lansing, MI 48909
(517) 394-1710

**Mid South Hardware Association**
W.F. Davis
2500 Hillsboro Rd.
Suite 103
Nashville, TN 37212
(615) 383-9037

**Minnesota-Dakotas Retail Hardware Association**
Ray C. Anderson
3033 Excelsior Blvd.
Minneapolis, MN 55416
(612) 929-4691

**Montana Hardware and Implement Association**
Avis Ann Tobin
506 Lamborn
P.O. Box 4459
Helena, MT 59601
(406) 442-1590

**Mountain States Hardware and Implement Association**
Max L. Sauder
1380 Carr St.
Lakewood, CO 80215
(303) 233-2101

**New England Hardware Dealers Association**
Chester C. Putney
Lakeside Office Park, Door #5
591 North Ave.
Wakefield, MA 01880
(617) 246-1510

**New York State Retail Hardware Association**
Fred Suman
6500 Joy Road
East Syracuse, NY 13057
(315) 437-7318

**Ohio Hardware Association**
Joe B. Bailey, Jr.
1540 W. Fifth Ave.
P.O. Box 1828
Columbus, OH 43216
(614) 486-5278

**Pacific Northwest Hardware and Implement Association**
Mac Smith
333 S.W. Fifth Ave.
Room 606
Portland, OR 97204
(503) 226-1641

**Pacific Southwest Hardware Association**
Otto H. Grigg
117 South Clementine
Anaheim, CA 92803
(714) 778-2050

**Pennsylvania and Atlantic Seaboard Hardware Association**
J. Wayne Tisdale
949 East Park Dr.
Harrisburg, PA 17111
(717) 564-7011

**Southern Association**
R.L. Ricker
2111 Smith St.
Orange Park, FL 32073
(904) 264-7525

**Southwest Hardware and Implement Association**
R.B. Allen
4629 Mark IV Parkway
Ft. Worth, TX 76106
(817) 625-5562

**Hardware Association of the Virginias**
Leonard Holdren
1906 N. Hamilton St.
Richmond, VA 23230
(804) 358-6511

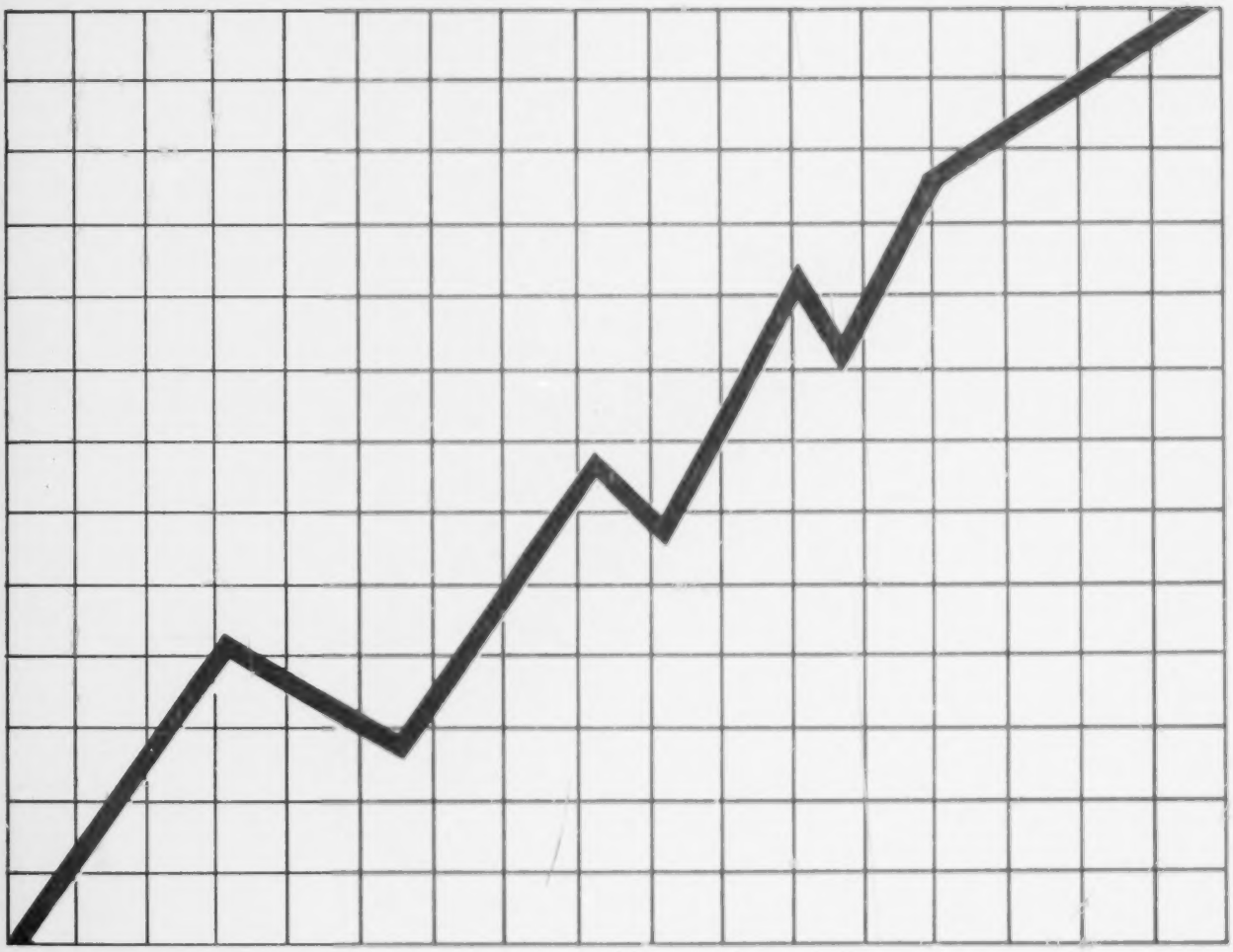
**Western Retail Implement and Hardware Association**
J. Keith Melvin
638 W. 39th St.
P.O. Box 19264
Kansas City, MO 64141
(816) 561-5323

**Wisconsin Retail Hardware Association**
Robert L. Gast
1421 Strongs Ave.
Stevens Point, WI 54481
(715) 346-7600

A8275-1.2 4
7/12

# 1981
# The Bottom Line

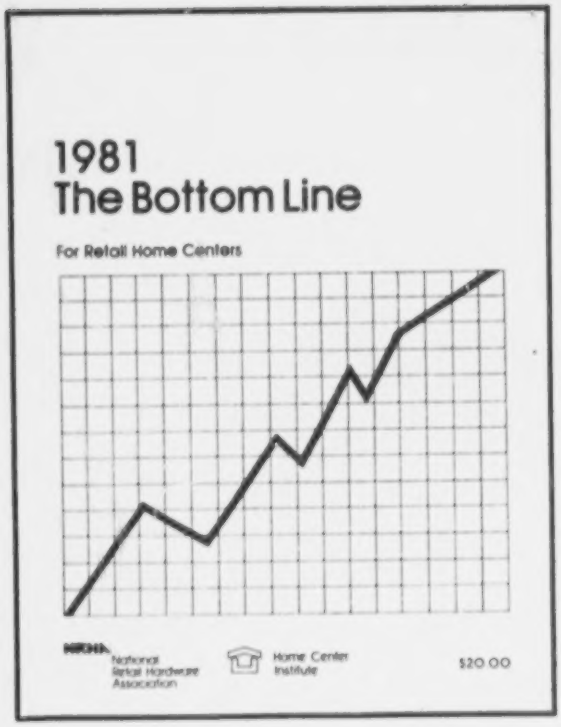
## For Retail Home Centers



NRHA
National
Retail Hardware
Association

Home Center
Institute

$20.00




# Contents


| | |
|---|---|
| **Introduction** | 1 |
| **Highlights** | 2 |
| **Monthly Sales** | 2 |
| **Average Operating Results** | 3 |
| All Home Centers | 5 |
| Sales Volume Size | 7 |
| Sales Floor Size | 9 |
| Type of Origin | 11 |
| Trade Area Size | 12 |
| Store Location: Part I | 13 |
| Store Location: Part II | 14 |
| Number of Stores | 15 |
| **Strategic Profit Model** | 16 |
| **Departmental Sales** | 17 |
| Departmental Contribution | 18 |
| Productivity | 18 |
| **Compensation Study** | 19 |
| All Home Centers | 20 |
| Productivity | 20 |
| **New Home Center Data** | 21 |
| **Member Services** | 23 |



Home Center Institute
NRHA National Retail Hardware Association
770 N. High School Road
Indianapolis, Indiana 46224
(317) 248-1261



**The Research Services Department**
Bradley T. Farnsworth, Director
Sandra C. Anderson, Industry Research Manager


Copyright 1981
National Retail Hardware Association/Home Center Institute

# Introduction

### The Bottom Line

The 1981 Bottom Line presents financial operating data for the home center industry. A home center, as defined by NRHA's Home Center Institute, is a retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials. Home Center operations are geared to generate sales in excess of $1 million at maturity. The Bottom Line is designed to fulfill several objectives: to assess the financial performance of the home center industry in 1980, to provide comparative financial data so that retailers can measure their performance against other industry members; to provide a frame of reference for profit planning enabling home center retailers to continually improve performance levels. Additionally the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the industry.

### Five Major Sections

The Bottom Line is divided into five major sections: Average Operating Results, Strategic Profit Model, Departmental Sales, Compensation Study, and New Store Data. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

**Average Operating Results** includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

**The Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

In **Departmental Sales,** information is presented on the percent of stores handling major departments found in retail home center stores. The percent of net sales, sales floor, inventory, and cost of goods sold are outlined both for handling firms only and for an average store profile. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

**The Compensation Study** offers information on eight categories of employees. Compensation data on hours worked, salaries and wages paid and the number of persons employed are shown for: department managers, sales personnel, office personnel, check-out/counter help, delivery, warehouse and yard personnel, and other employees.

In **New Store Data,** information on the required planning phases for new store development is presented.

### Type of Store

Many factors influence a home center's cost of doing business. Therefore, Report data are shown in different ways in order that individual operators may make meaningful comparisons. Information contained in Average Operating Results is presented for the following store types:

—High and Low Profit
—Sales Volume Size
—Sales Floor Size
—Type of Origin
—Trade Area size
—Store Location Part I
—Store Location Part II
—Number of Stores

### Methodology

The Bottom Line is made possible only through the cooperation of the retail home center men and women who provided us with detailed information on their operation. Confidential mail questionnaires were sent to home center operators the end of February. One hundred and seventy-four usable returns were received by June 1,1981 in time for inclusion in this year's report.

All dealer survey forms were edited for completeness by NRHA's Research Services Department Staff. Forms were coded for computer processing and **all individual firm identification removed.** For the first time in the history of the Bottom Line the survey forms were then processed by our own data processing department. With the flexibility of working in-house to develop a brand new processing program, the Research Services Department was able to make various changes and improvements in the program. These changes are as follows; if there are any questions concerning them please contact the Research Services Department directly at the National Retail Hardware Association.

### Income Statement Data

1. **Total Deductions.** In the past the percent of total deductions was calculated only for those stores reporting deductions. The figure is now calculated for **all** stores, to take into account those stores that have no deductions. As a result, this year's figures will appear somewhat lower than those reported in the past.

### Balance Sheet Data

2. **Investments.** Previously calculated only for investments as a whole, figures are now reported for stocks and bonds, real estate (not used in the business), and other investments.
3. **Fixed Assets.** On previous questionnaires fixed assets was divided into the two categories of land-buildings and other fixed assets. It is now split into land, buildings, machinery and office equipment, and other fixed assets.
4. **Current Liabilities.** Current liabilities has been broken up into accounts payable, notes payable, accrued expenses payable, federal income taxes payable and other current liabilities.
5. **Long Term Liabilities.** This category has been divided into long term debt, deferred income taxes and other long term liabilities.

### Financial Performance Data

6. **Incoming Freight.** As with Total Deductions, this figure was calculated in the past only for those stores which reported an amount for freight. It is now calculated for **all** stores, to include those which have no freight costs per se.

### High/Low Profit Table

7. **High versus Low Profit Stores Table.** This table is determined by taking the averages of the stores with the lowest and the highest percent net profits. In the past, the sample was split into **thirds,** and the bottom and upper thirds were used. We have found, however, that quartile averages are used more frequently and seem to be considered more meaningful. As a result, our low and high profit figures now represent the lowest and highest **fourths** of the sample.

### All Tables

8. **Sample Sizes.** In previous editions of the Management Report the sample size for each of the tables was the same. If demographic information such as the square footage of the store was not reported it was either obtained from a past questionnaire on file or was estimated. With the flexibility of the new data processing program, however, we were able to calculate a table only for those stores which reported the information on their questionnaire. Hence, the sample size varies somewhat from table to table.

As thanks for their contributive efforts, each home center operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other stores in the same sales volume, sales floor, geographical area, and store location categories, as well as with the averages for the entire sample.

### One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of hardlines retailers. Studies which are available in addition to The Bottom Line are the Management Report for retail hardware stores and the Lumber/Building Materials Financial Report for consumer-oriented outlets. Each segment of the concentrated hardgoods market is provided with its own cost of doing business comparison manual.

### For Assistance

Assistance and aid in interpreting the 1981 Bottom Line may be obtained from your regional Hardware Association.

# Highlights

The average sales per home center is up from $1,948,616 to $2,024,120, even though those dealers who sent in information reported that their sales were down an average of 3.56 percent from last year. Gross margin and stock turns are up over last year's figures, but so are costs. Net profit on sales slid from 4.20 percent in 1979 to 3.05 percent in 1980, and net profit on investment dropped from 20.03 to 14.27 percent.

| Type of Home Center | Net Sales $ | Sales Increase Over 1979 % | Margin % | Net Profit On Sales % | Net Profit On Investment % | Stock Turns # |
|---|---|---|---|---|---|---|
| **All Home Centers** | 2,024,120 | −3.56 | 29.56 | 3.05 | 14.27 | 4.15 |
| Low Profit | 1,871,891 | −11.41 | 27.53 | (1.68) | (9.15) | 3.85 |
| High Profit | 1,993,267 | −1.60 | 34.04 | 8.23 | 27.14 | 3.80 |
| **Sales Volume Size** | | | | | | |
| Under $1,000,000 | 756,328 | −.33 | 33.58 | 2.55 | 8.51 | 2.51 |
| $1,000,000 to $2,999,999 | 1,843,823 | −1.65 | 30.16 | 2.76 | 14.13 | 4.04 |
| $3,000,000 or More | 4,919,539 | −5.40 | 27.78 | 3.50 | 16.23 | 5.06 |
| **Sales Floor Size** | | | | | | |
| Under 10,000 Sq. Ft. | 2,122,086 | −8.71 | 26.86 | 1.91 | 9.60 | 4.57 |
| 10,000 to 19,999 Sq. Ft. | 1,793,373 | +2.58 | 31.32 | 3.82 | 17.76 | 3.88 |
| 20,000 Sq. Ft. or More | 2,555,182 | −3.61 | 31.73 | 3.37 | 14.27 | 4.01 |
| **Type of Origin** | | | | | | |
| Originally Hardware | 1,311,461 | +.65 | 33.90 | 4.51 | 15.85 | 2.99 |
| Originally Lumber/Building Material | 2,819,701 | −.39 | 27.59 | 2.60 | 13.97 | 5.03 |
| Organized As Home Center | 1,512,070 | +.49 | 30.46 | 1.32 | 7.59 | 3.48 |
| **Trade Area Size** | | | | | | |
| S.M.S.A. | 2,592,660 | −3.67 | 30.93 | 3.45 | 16.54 | 4.55 |
| Cities 10,000 to 50,000 | 2,081,551 | −3.90 | 30.75 | 3.37 | 14.27 | 3.73 |
| Rural Areas Under 10,000 | 1,635,897 | −3.03 | 26.99 | 2.61 | 13.31 | 4.37 |
| **Store Location: Part I** | | | | | | |
| Downtown | 2,040,143 | −4.70 | 29.06 | 4.18 | 15.10 | 4.13 |
| Suburban | 2,265,277 | −4.87 | 29.47 | 2.85 | 13.87 | 4.44 |
| Rural | 1,836,290 | +8.59 | 26.18 | 2.81 | 19.52 | 4.78 |
| **Store Location: Part II** | | | | | | |
| Shopping Centers — Neighborhood | 2,332,493 | −6.19 | 27.84 | 1.97 | 10.44 | 3.21 |
| Shopping Centers — Community or Regional | 1,492,571 | +5.71 | 33.42 | 3.13 | 16.57 | 3.84 |
| Free-Standing — No Stores Adjacent | 1,945,641 | −9.05 | 29.83 | 2.74 | 11.00 | 4.29 |
| Free-Standing — Stores Nearby | 2,259,655 | −2.99 | 28.14 | 2.97 | 14.67 | 4.63 |

# Monthly Sales

Industry data indicate that home center retailers have been able to decrease seasonal fluctuations except in the late winter months. Seasonal fluctuations in sales can cause management problems particularly in cash flow. To help avoid the after the holiday slump in sales, home center retailers should develop several promotions which offer good sale prices across diverse merchandise lines. This type of broad scope promotion will provide something of interest to most all consumers and should increase store traffic during the months of January through March.

| | % | | % |
|---|---|---|---|
| January | 6.4 | July | 8.8 |
| February | 6.0 | August | 8.9 |
| March | 7.1 | September | 9.0 |
| April | 9.0 | October | 9.2 |
| May | 9.5 | November | 8.6 |
| June | 9.0 | December | 8.5 |

# Average Operating Results

### Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

**Net Sales Volume** — The dollar amount of cash sales plus credit sales less total deductions.

**Total Deductions** — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

**Cost of Goods Sold** — Inventory First of the Year plus Purchases plus Freight In minus Purchase Rebates minus Inventory End of the Year equals Cost of Goods Sold.

**Margin** — The difference between Net Sales and the Cost of Goods Sold.

**Salaries — Owners, Officers, Managers** — The compensation including bonuses paid to owners, officers and store managers who work in the business.

**Salaries — Other Employees** — The compensation, wages and bonuses, paid to all other employees.

**Federal and State Payroll Taxes** — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

**Group Insurance** — All premiums paid to insure employees for health and accident protection.

**Benefit Plans** — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

**Heat, Light, Power and Water** — All utility expenses incurred in the operation of the business.

**Repairs to Building** — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

**Rent or Ownership in Real Estate** — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land and buildings used in the business.

**Office Supplies and Postage** — The cost of all materials used for the firm's accounting records.

**Advertising** — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

**Donations** — All gifts given from the business operation to charity.

**Telephone and Telegraph** — For expenses incurred in the operation of the business.

**Bad Debts** — Uncollectable debts.

**Delivery (Other than Wages)** — All expenses incurred in the operation of delivery equipment; gas, tires, etc.

**Insurance** — Premiums paid to insure all assets against fire, theft, etc.

**Taxes** — All taxes on stock, fixtures, delivery equipment, etc.

**Credit Card Expense** — Bank charges for processing credit card sales.

**Interest on Borrowed Money** — The amount of interest paid on borrowed money for all types of notes, loans.

**Store and Shop Supplies** — The cost of all supplies used in the operation of the store.

**Legal and Accounting** — The cost incurred for auditing, inventory count, collectors and legal consultation.

**Dues and Subscriptions** — Fees for memberships and subscriptions and expenses for employee training.

**Travel, Buying, Entertainment** — All expenses incurred in business trips and the entertainment of guests.

**Unclassified** — All expenses not classified under other headings.

**Net Operating Profit** — Return on sales before Other Income and Income Taxes when expressed as a percent of Net Sales indicates the percent return on each dollar of sales.

**Other Income** — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental income.

**Net Profit (Before Income Taxes)** — The net return from the operation of the business.

### Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

**Current Assets** — Cash, notes receivable in the current year, accounts receivable (less reserve for doubtful accounts), merchandise inventories and other assets with a defined short-term life of one year, all prepaid expenses.

**Investments** — Assets with a long-term life, such as stocks and bonds or real estate which are not needed to operate the business.

**Fixed Assets** — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land and buildings are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

**Current Liabilities** — All debts which are due within one year — accounts payable, current portion of notes payable and accrued payroll, taxes, insurance, interest, etc.

**Long-Term Liabilities** — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

**Net Worth** — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

## Financial Ratios

The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. The proportions are tested by ratio analysis. Sixteen financial ratios are presented in this Financial Report.

**Profit On Investment**

—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.

—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's home center operators should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

**Active Owner's Return**

—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.

—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

**Current Asset Ratio**

—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".

—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

**Quick Asset Ratio**

—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".

—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

**Total Debt to Tangible Net Worth**

—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.

—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

**Stock Turn Times**

—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (beginning inventory plus year-end inventory divided by two); expressed in "times".

—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadequate stocking. Retail home center operators should achieve three turns or more per year.

**Sales to Inventory**

—Computed by dividing Net Sales by Average Inventory; expressed in "times".

—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

**Average Inventory Per Sq. Ft. of Sales Area**

—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.

—A rough measure of merchandising efficiency.

**Net Sales to Accounts Receivable**

—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".

—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

**Net Sales to Total Assets**

—Computed by dividing Net Sales by Total Assets; expressed in "times".

—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

**Net Sales to Net Worth**

—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".

—Measures the extent to which sales are supported by invested capital.

**Net Sales to Working Capital**

—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".

—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

**Sales Per Sq. Ft. — Selling Area**

—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.

—Measures sales productivity.

**Sales Per Sq. Ft. — Total Area**

—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.

—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

**Sales Per Person Employed**

—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.

—Measures the efficiency of personnel in producing sales and is most useful when compared to past performance.

**Sales Per Customer**

—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.

—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

# All Home Centers

| Income Statement Data | All Home Centers | Low Profit Centers | High Profit Centers |
|---|---|---|---|
| **Number of Stores** | 174 | 37 | 44 |
| **Net Sales Volume** | $2,024,120 | $1,801,891 | $1,933,267 |
| Current Year's Sales vs. Previous Year* | - 3.56% | -11.41% | - 1.60% |
| Gross Sales | 102.19% | 102.54% | 101.67% |
| Less: Total Deductions | 2.19 | 2.54 | 1.67 |
| Net Sales | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 70.44 | 72.47 | 65.96 |
| **Margin** | 29.56 | 27.53 | 34.04 |
| **Payroll and Other Employee Expense** | | | |
| Salaries — Owners, Officers, Managers | 3.99 | 3.43 | 4.37 |
| Salaries — Other Employees | 10.32 | 10.85 | 10.80 |
| Federal and State Payroll Taxes | .96 | .95 | .90 |
| Group Insurance | .46 | .40 | .34 |
| Benefit Plans | .72 | .43 | .81 |
| **Total Payroll and Other Employee Expense** | 16.45 | 16.06 | 17.22 |
| **Occupancy Expense** | | | |
| Heat, Light, Power, Water | .60 | .72 | .59 |
| Repairs to Building | .47 | .63 | .28 |
| Rent or Ownership in Real Estate** | 2.46 | 2.91 | 2.38 |
| **Total Occupancy Expense** | 3.53 | 4.26 | 3.25 |
| **Other Costs of Doing Business** | | | |
| Office Supplies and Postage | .32 | .30 | .28 |
| Advertising | 1.70 | 1.94 | 1.32 |
| Donations | .05 | .03 | .06 |
| Telephone and Telegraph | .25 | .28 | .18 |
| Bad Debts | .47 | .46 | .52 |
| Credit Card Expense | .07 | .06 | .10 |
| Delivery (Other than Wages) | .63 | .91 | .31 |
| Insurance (Other than Real Estate and Group) | .54 | .60 | .55 |
| Taxes (Other than Real Estate and Payroll) | .41 | .38 | .58 |
| Interest on Borrowed Money (Other than Mortgages) | 1.06 | 1.71 | .85 |
| Depreciation (Other than Real Estate) | .65 | .81 | .61 |
| Store and Shop Supplies | .27 | .34 | .25 |
| Legal and Accounting | .26 | .32 | .19 |
| Dues and Subscriptions | .05 | .05 | .04 |
| Travel, Buying, Entertainment | .16 | .11 | .16 |
| Unclassified | 1.01 | 1.73 | .57 |
| **Total Other Costs of Doing Business** | 7.90 | 10.03 | 6.57 |
| **Total Operating Expense** | 27.88 | 30.35 | 27.04 |
| **Net Operating Profit** | 1.68 | (2.82) | 7.00 |
| Other Income | 1.37 | 1.14 | 1.23 |
| **Net Profit (Before Income Taxes)** | 3.05 | (1.68) | 8.23 |

*As reported to us by Bottom Line contributors.
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# All Home Centers

| Balance Sheet Data | All Home Centers | Low Profit Centers | High Profit Centers |
|---|---|---|---|
| **Total Dollar Assets** | $803,277 | $779,473 | $794,307 |
| | % of Total Assets | | |
| **Assets** | | | |
| Cash and Equivalent | 4.61 | 3.61 | 4.52 |
| Notes and Contracts Receivable | 4.13 | 5.25 | 5.59 |
| Accounts Receivable | 20.25 | 19.87 | 19.06 |
| Merchandise Inventory (End of Year) | 42.70 | 41.88 | 43.65 |
| Other Current Assets | 2.95 | 3.65 | 3.32 |
| **Total Current Assets** | 74.64 | 74.26 | 76.14 |
| Stocks & Bonds | 2.61 | 2.25 | 2.58 |
| Real Estate (Not Used in Business) | 1.07 | 1.86 | 1.29 |
| Other Investments | 3.35 | 2.59 | 3.62 |
| **Total Investments** | 7.03 | 6.70 | 7.49 |
| Land (Owned and Used in Business) | 2.28 | 2.90 | 2.56 |
| Buildings (Owned and Used in Business less Depreciation) | 8.38 | 8.70 | 6.61 |
| Machinery and Office Equipment (Owned and Used in Business less Depreciation) | 6.12 | 5.53 | 6.26 |
| Other Fixed Assets | 1.55 | 1.91 | .94 |
| **Total Fixed Assets** | 18.33 | 19.04 | 16.37 |
| **Total Assets** | 100.00% | 100.00% | 100.00% |
| **Liabilities and Net Worth** | | | |
| Accounts Payable | 13.14 | 13.11 | 9.06 |
| Notes Payable | 9.35 | 17.04 | 6.72 |
| Accrued Expenses Payable | 3.84 | 3.31 | 4.88 |
| Federal Income Taxes Payable | .61 | .07 | 1.76 |
| Other Current Liabilities | 2.14 | 1.56 | 1.19 |
| **Total Current Liabilities** | 29.08 | 35.09 | 23.61 |
| Long Term Debt | 13.32 | 15.15 | 2.73 |
| Deferred Income Taxes | .22 | .54 | (.13) |
| Other Long Term Liabilities | 3.43 | 6.49 | .01 |
| **Total Long Term Liabilities** | 16.97 | 22.18 | 2.61 |
| **Total Liabilities** | 46.05 | 57.27 | 26.22 |
| **Net Worth** | 53.95 | 42.73 | 73.78 |
| **Total Liabilities and Net Worth** | 100.00% | 100.00% | 100.00% |
| **Financial Performance** | | | |
| **Profit on Investment** | 14.27% | (9.15)% | 27.14% |
| Active Owner's Return | 32.89% | 9.42% | 41.57% |
| Current Asset Ratio | 2.57x | 2.12x | 3.23x |
| Quick Asset Ratio | 1.10x | .92x | 1.38x |
| Total Debt to Tangible Net Worth | 85.35% | 134.05% | 35.51% |
| **Stock Turn Times** | 4.15x | 3.85x | 3.80x |
| Sales to Inventory Ratio | 5.89x | 5.31x | 5.76x |
| Average Inventory per Sq. Ft. Sales Area | $31.43 | $27.87 | $24.44 |
| Net Sales to Accounts Receivable | 12.45x | 11.64x | 12.77x |
| Net Sales to Total Assets | 2.52x | 2.31x | 2.43x |
| Net Sales to Net Worth | 4.67x | 5.41x | 3.30x |
| Net Sales to Net Working Capital | 5.53x | 5.90x | 4.63x |
| **Other Operating Data** | | | |
| Incoming Freight — % of Purchases | .36% | .28% | .52% |
| Credit Sales — % of Total Gross Sales | 49.10% | 53.96% | 46.55% |
| Consumer Sales — % of Total Gross Sales | 71.97% | 79.03% | 74.30% |
| Inventory — % Stored in Central Warehouse | 24.41% | .00% | .00% |
| Selling Area — Square Feet | 13,191 | 13,443 | 15,732 |
| **Sales Per Square Foot — Selling Area** | $153.45 | $134.04 | $122.89 |
| Total Area — Square Feet | 22,529 | 22,711 | 25,860 |
| **Sales Per Square Foot — Total Area** | $89.85 | $79.34 | $74.76 |
| Sales Per Person Employed | $95,492 | $82,983 | $91,435 |
| Sales Per Customer | $19.73 | $15.25 | $15.23 |

# Sales Volume Size

| Income Statement Data | Sales Under $1,000,000 | $1,000,000 To $2,999,999 | Sales $3,000,000 Or More |
|---|---|---|---|
| **Number of Stores** | 56 | 88 | 30 |
| **Net Sales Volume** | $756,328 | $1,843,823 | $4,919,539 |
| Current Year's Sales vs. Previous Year* | - 33% | - 1.65% | - 5.40% |
| Gross Sales | 102.55% | 102.18% | 102.33% |
| Less: Total Deductions | 2.55 | 2.18 | 2.33 |
| Net Sales | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 66.42 | 69.84 | 72.22 |
| **Margin** | 33.58 | 30.16 | 27.78 |
| **Payroll and Other Employee Expense** | | | |
| Salaries — Owners, Officers, Managers | 5.34 | 4.52 | 3.25 |
| Salaries — Other Employees | 10.78 | 10.39 | 10.12 |
| Federal and State Payroll Taxes | 1.24 | .95 | .89 |
| Group Insurance | .47 | .57 | .32 |
| Benefit Plans | .44 | .67 | .84 |
| **Total Payroll and Other Employee Expense** | 18.27 | 17.10 | 15.42 |
| **Occupancy Expense** | | | |
| Heat, Light, Power, Water | 1.03 | .68 | .41 |
| Repairs to Building | .35 | .52 | .41 |
| Rent or Ownership in Real Estate** | 3.34 | 2.63 | 2.04 |
| **Total Occupancy Expense** | 4.72 | 3.83 | 2.86 |
| **Other Costs of Doing Business** | | | |
| Office Supplies and Postage | .38 | .32 | .32 |
| Advertising | 2.14 | 2.01 | 1.26 |
| Donations | .05 | .04 | .07 |
| Telephone and Telegraph | .28 | .24 | .25 |
| Bad Debts | .29 | .25 | .76 |
| Credit Card Expense | .07 | .10 | .02 |
| Delivery (Other than Wages) | .53 | .57 | .71 |
| Insurance (Other than Real Estate and Group) | .76 | .63 | .41 |
| Taxes (Other than Real Estate and Payroll) | .28 | .51 | .30 |
| Interest on Borrowed Money (Other than Mortgages) | 1.38 | 1.03 | .93 |
| Depreciation (Other than Real Estate) | .69 | .58 | .71 |
| Store and Shop Supplies | .49 | .30 | .15 |
| Legal and Accounting | .28 | .26 | .26 |
| Dues and Subscriptions | .07 | .05 | .05 |
| Travel, Buying, Entertainment | .26 | .14 | .14 |
| Unclassified | 1.33 | .98 | .90 |
| **Total Other Costs of Doing Business** | 9.28 | 8.01 | 7.24 |
| **Total Operating Expense** | 32.27 | 28.94 | 25.52 |
| **Net Operating Profit** | 1.31 | 1.22 | 2.26 |
| Other Income | 1.24 | 1.54 | 1.24 |
| **Net Profit (Before Income Taxes)** | 2.55 | 2.76 | 3.50 |

*As reported to us by Bottom Line contributors.

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# Sales Volume Size

| Balance Sheet Data | Sales Under $1,000,000 | $1,000,000 To $2,999,999 | Sales $3,000,000 Or More |
|---|---|---|---|
| **Total Dollar Assets** | $399,735 | $651,410 | $2,002,032 |
| | | % of Total Assets | |
| **Assets** | | | |
| Cash and Equivalent | 3.91 | 4.48 | 5.74 |
| Notes and Contracts Receivable | 3.85 | 4.13 | 4.75 |
| Accounts Receivable | 15.43 | 15.37 | 24.76 |
| Merchandise Inventory (End of Year) | 50.80 | 48.67 | 34.64 |
| Other Current Assets | 2.91 | 3.30 | 2.74 |
| **Total Current Assets** | 76.90 | 75.95 | 72.63 |
| Stocks & Bonds | 4.07 | 2.59 | 2.17 |
| Real Estate (Not Used in Business) | .15 | .56 | 1.83 |
| Other Investments | 2.15 | 3.70 | 3.29 |
| **Total Investments** | 6.37 | 6.85 | 7.29 |
| Land (Owned and Used in Business) | 3.17 | 2.01 | 2.22 |
| Buildings (Owned and Used in Business less Depreciation) | 7.31 | 7.31 | 10.43 |
| Machinery and Office Equipment (Owned and Used in Business less Depreciation) | 5.55 | 6.63 | 5.09 |
| Other Fixed Assets | .70 | 1.25 | 2.34 |
| **Total Fixed Assets** | 16.73 | 17.20 | 20.08 |
| **Total Assets** | 100.00% | 100.00% | 100.00% |
| **Liabilities and Net Worth** | | | |
| Accounts Payable | 9.96 | 13.68 | 14.46 |
| Notes Payable | 5.66 | 8.12 | 10.29 |
| Accrued Expenses Payable | 3.98 | 4.68 | 2.82 |
| Federal Income Taxes Payable | .39 | .65 | .79 |
| Other Current Liabilities | .71 | 1.77 | 2.98 |
| **Total Current Liabilities** | 20.70 | 28.90 | 31.34 |
| Long Term Debt | 14.29 | 12.98 | 13.35 |
| Deferred Income Taxes | .00 | .32 | .20 |
| Other Long Term Liabilities | 8.48 | 2.58 | 2.33 |
| **Total Long Term Liabilities** | 22.77 | 15.88 | 15.88 |
| **Total Liabilities** | 43.47 | 44.78 | 47.22 |
| **Net Worth** | 56.53 | 55.22 | 52.78 |
| **Total Liabilities and Net Worth** | 100.00% | 100.00% | 100.00% |
| **Financial Performance** | | | |
| **Profit on Investment** | 8.51% | 14.13% | 16.23% |
| Active Owner's Return | 26.38% | 37.30% | 31.00% |
| Current Asset Ratio | 3.71x | 2.63x | 2.34x |
| Quick Asset Ratio | 1.26x | .94x | 1.22x |
| Total Debt to Tangible Net Worth | 76.90% | 81.10% | 90.00% |
| **Stock Turn Times** | 2.51x | 4.04x | 5.06x |
| Sales to Inventory Ratio | 3.77x | 5.78x | 7.00x |
| Average Inventory per Sq. Ft. Sales Area | $21.92 | $28.14 | $50.26 |
| Net Sales to Accounts Receivable | 12.26x | 18.41x | 10.14x |
| Net Sales to Total Assets | 1.89x | 2.83x | 2.43x |
| Net Sales to Net Worth | 3.35x | 5.13x | 4.62x |
| Net Sales to Net Working Capital | 3.37x | 6.02x | 5.93x |
| **Other Operating Data** | | | |
| Incoming Freight — % of Purchases | .81% | .30% | .36% |
| Credit Sales — % of Total Gross Sales | 36.55% | 38.27% | 62.52% |
| Consumer Sales — % of Total Gross Sales | 84.62% | 74.58% | 42.53% |
| Inventory — % Stored in Central Warehouse | .00% | 48.75% | 25.00% |
| Selling Area — Square Feet | 11,359 | 14,011 | 14,108 |
| **Sales Per Square Foot — Selling Area** | $66.58 | $131.60 | $348.71 |
| Total Area — Square Feet | 17,400 | 23,090 | 31,348 |
| **Sales Per Square Foot — Total Area** | $43.47 | $79.85 | $156.93 |
| Sales Per Person Employed | $61,370 | $89,534 | $120,133 |
| Sales Per Customer | $11.44 | $12.89 | $60.17 |

# Sales Floor Size

| Income Statement Data | Sales Area Under 10,000 Sq. Ft. | 10,000 Sq. Ft. To 19,999 Sq. Ft. | Sales Area 20,000 Sq. Ft. Or More |
|---|---|---|---|
| **Number of Stores** | 69 | 76 | 26 |
| **Net Sales Volume** | $2,122,086 | $1,793,373 | $2,555,182 |
| Current Year's Sales vs. Previous Year* | - 8.71% | + 2.58% | - 3.61% |
| Gross Sales | 101.77% | 102.64% | 102.02% |
| Less: Total Deductions | 1.77 | 2.64 | 2.02 |
| Net Sales | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 73.14 | 68.68 | 68.27 |
| **Margin** | 26.86 | 31.32 | 31.73 |
| **Payroll and Other Employee Expense** | | | |
| Salaries — Owners, Officers, Store Managers | 4.13 | 3.88 | 3.87 |
| Salaries — Other Employees | 9.53 | 10.99 | 11.02 |
| Federal and State Payroll Taxes | .95 | 1.00 | .93 |
| Group Insurance | .55 | .42 | .36 |
| Benefit Plans | .81 | .78 | .39 |
| **Total Payroll and Other Employee Expense** | 15.97 | 17.07 | 16.57 |
| **Occupancy Expense** | | | |
| Heat, Light, Power, Water | .47 | .68 | .76 |
| Repairs to Building | .66 | .29 | .39 |
| Rent or Ownership in Real Estate** | 1.86 | 2.69 | 3.49 |
| **Total Occupancy Expense** | 2.99 | 3.66 | 4.64 |
| **Other Costs of Doing Business** | | | |
| Office Supplies and Postage | .33 | .33 | .28 |
| Advertising | 1.51 | 1.73 | 2.10 |
| Donations | .04 | .05 | .05 |
| Telephone and Telegraph | .28 | .21 | .27 |
| Bad Debts | .47 | .33 | .69 |
| Credit Card Expense | .06 | .06 | .12 |
| Delivery (Other than Wages) | .89 | .42 | .49 |
| Insurance (Other than Real Estate and Group) | .58 | .60 | .35 |
| Taxes (Other than Real Estate and Payroll) | .37 | .45 | .37 |
| Interest on Borrowed Money (Other than Mortgages) | 1.17 | .94 | 1.08 |
| Depreciation (Other than Real Estate) | .67 | .58 | .72 |
| Store and Shop Supplies | .19 | .31 | .38 |
| Legal and Accounting | .28 | .24 | .26 |
| Dues and Subscriptions | .06 | .05 | .05 |
| Travel, Buying, Entertainment | .17 | .13 | .16 |
| Unclassified | .80 | 1.34 | .82 |
| **Total Other Costs of Doing Business** | 7.87 | 7.77 | 8.19 |
| **Total Operating Expense** | 26.83 | 28.50 | 29.40 |
| **Net Operating Profit** | .03 | 2.82 | 2.33 |
| Other Income | 1.88 | 1.00 | 1.04 |
| **Net Profit (Before Income Taxes)** | 1.91 | 3.82 | 3.37 |

*As reported to us by Bottom Line contributors.

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.